

MEMORANDUM

TO: Danvers Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 2, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

Although we are approving this schedule, we would have preferred a schedule be adopted that more aggressively amortizes the unfunded actuarial liability. For the past year, we have been recommending that systems determine schedules to be fully funded by FY35. This provides more flexibility in the event of a market downturn. Although this schedule initially funds aggressively and increases the appropriation by 8.0% in FY16-FY18 and 8.36% in FY19, the amortization of the unfunded actuarial liability is not completed until FY36. By adjusting the schedule slightly in FY20 and beyond, a FY35 schedule could be determined. Our understanding is that the Board adopted this schedule with the intention that the schedule adopted as part of the January 1, 2016 valuation reflect a payoff date of FY35 if not earlier.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



DANVERS RETIREMENT SYSTEM
FUNDING SCHEDULE WITH 3(8)(c) PAYMENTS
(Generational with AVA)

Fiscal Year	Normal Cost	Unfunded Liability**	Funding		Schedule Contribution*	% change from prior year
			Amortization of UAL	Net 3(8)(c) Payments		
2016	1,026,821	77,121,174	4,456,880	312,536	5,796,237	8.00%
2017	1,070,461	78,477,438	4,876,939	312,536	6,259,936	8.00%
2018	1,115,955	77,441,146	5,332,239	312,536	6,760,731	8.00%
2019	1,163,384	77,877,619	5,850,130	312,536	7,326,050	8.36%
2020	1,212,827	74,535,733	5,829,635	312,536	7,354,998	0.40%
2021	1,264,373	74,202,586	6,062,820	312,536	7,639,729	3.87%
2022	1,318,108	73,590,947	6,305,333	312,536	7,935,978	3.88%
2023	1,374,128	72,668,463	6,557,547	312,536	8,244,211	3.88%
2024	1,432,528	71,399,789	6,819,848	312,536	8,564,913	3.89%
2025	1,493,411	69,746,336	7,092,642	312,536	8,898,589	3.90%
2026	1,556,881	67,665,989	7,376,348	312,536	9,245,765	3.90%
2027	1,623,048	65,112,813	7,671,402	312,536	9,606,986	3.91%
2028	1,692,028	62,036,723	7,978,258	312,536	9,982,822	3.91%
2029	1,763,939	58,383,143	8,297,388	312,536	10,373,863	3.92%
2030	1,838,906	54,092,615	8,629,284	312,536	10,780,726	3.92%
2031	1,917,060	49,100,397	8,974,455	312,536	11,204,051	3.93%
2032	1,998,535	43,336,017	9,333,433	312,536	11,644,504	3.93%
2033	2,083,473	36,722,791	9,706,771	312,536	12,102,780	3.94%
2034	2,172,020	29,177,301	10,095,042	312,536	12,579,598	3.94%
2035	2,264,331	20,608,841	10,498,843	312,536	13,075,710	3.94%
2036	2,360,565	10,918,797	10,918,797	312,536	13,591,898	3.95%
2037	2,460,889	0	-	312,536	2,773,425	

Amortization of Unfunded Liability as of July 1, 2015

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2016	Fresh Start	5,793,306	4.00%	21	5,793,306	21

Notes on Amortization of Unfunded Liability

Year is the year the amortization base was established.

Type is the reason for the creation of the base. Examples are Gain/(Loss) or Fresh Start.

Original Amortization Amount is the annual amortization amount when the base was established.

Percentage Increasing is the percentage that the Original Amortization Amount increases per year.

Original # of Years is the number of years over which the base is being amortized.

Current Amortization Amount is the amortization payment amount for this year.

Years Remaining is the number of years left to amortize the base.

*Fresh Start amortization is set to be the amount needed to result in an adjusted payment which is 8% higher than the prior fiscal year for the next 3 years with 4% amortization increases thereafter for 18 years which results in a contribution which is 8.36% higher in year 4

**Include recognition of deferred gains/(losses):

2018 : \$2,047,393

2020 : \$3,253,955